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COMMITTEE ON GOVERNMENT REFORM — MINORITY STAFF
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**THOUSANDS OF JOBLESS WORKERS IN THE
PHOENIX-MESA METRO AREA
ARE LOSING UNEMPLOYMENT BENEFITS**

PREPARED FOR REP. ED PASTOR

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EXECUTIVE SUMMARY

The U.S. economy has been marked by over two years of near-constant job losses. Since January 2001, the economy has lost almost 2.5 million private-sector jobs. Nationally, the unemployment rate reached an eight-year high of 6.4% in June 2003. Although the unemployment rate has decreased slightly over the last several months, the total number of unemployed workers, the number of long-term unemployed, and the number of workers exhausting unemployment benefits are well above their levels at the end of 2000. And in December 2003, hundreds of thousands of discouraged workers dropped out of the labor market.

Traditionally, the federal-state unemployment insurance program has provided a safety net for unemployed workers during economic downturns and in the early stages of economic recoveries. In most states, benefits are paid for a maximum of 26 weeks. However, during economic recessions or periods of high unemployment, the federal government will extend unemployment benefits to ensure that workers who are unable to find a job do not lose all benefits.

The current benefits extension, which provided 13 additional weeks of unemployment insurance for most workers, expired on December 31, 2003. These benefits cannot be extended without new legislation. Because of the failure to act on these lapsing benefits, 350,000 jobless workers lost their unemployment insurance in January 2004, a record number. Even so, the Bush Administration has not pushed for an extension, and Republican leaders in the House have actively opposed an extension. Thus, the prospects for any extension of unemployment benefits are slim.

At the request of Rep. Ed Pastor, this analysis estimates (1) the number of unemployed workers in the Phoenix-Mesa metro area who lost their benefits in January due to the expiration of the unemployment insurance extension and (2) how many are likely to lose their benefits by the end of June. It finds that approximately 2,300 workers in the Phoenix-Mesa metro area exhausted their benefits in January. It also finds that in the first six months of 2004, an estimated 13,900 workers in the Phoenix-Mesa metro area are likely to lose their benefits if congressional inaction continues. The failure to extend benefits will result in the Phoenix-Mesa metro area losing an economic stimulus of up to \$54 million.

BACKGROUND

The federal-state unemployment insurance program is designed to provide benefits to eligible workers who are unemployed. In most states, benefits are paid for a maximum of 26 weeks. However, during economic recessions or periods of high unemployment, the federal government has historically extended unemployment benefits on a temporary basis to ensure that workers who are unable to find a job do not lose all benefits. In fact, Congress has provided for an extension of unemployment insurance during every recession since 1958. After the 1991 recession, for example, benefits were extended for 27 months, from November 1991 through February 1994.¹

In March 2002, in response to the ongoing economic slowdown, Congress passed the Temporary Extended Unemployment Compensation Act of 2002 (TEUC). The legislation gave an additional 13 to 26 weeks of 100% federally financed unemployment benefits for workers in states that were hit hard by the economic downturn. This extension was designed to help working Americans who were unemployed and unable to find a job. In addition to helping unemployed workers, the benefits were intended to provide a stimulus to economies in the affected states.

Unemployment benefits under the TEUC program ended on December 28, 2002. After allowing the program to expire, Congress reversed itself in January 2003 and extended unemployment benefits.² The legislation provided an additional 13 weeks of unemployment insurance for most workers.³ Unemployment benefits were extended again in May 2003 but they expired in the last week in December.⁴

Although the national unemployment rate has dropped from the June 2003 peak of 6.4%, the employment situation has shown little overall improvement. Employment conditions are presently worse than they were in March 2002, when unemployment benefits were initially extended. Relative to March 2002, the unemployment rate has remained the same, the total number of jobs has declined

¹ Congressional Research Service, *Temporary Programs to Extend Unemployment Compensation* (Jan. 24, 2003).

² Public Law 108-1.

³ For workers in defined “high unemployment” states, the legislation provided for 26-week extensions. These states were Alaska, Connecticut, Massachusetts, Oregon, Pennsylvania, and Washington. Department of Labor, *TEUC Trigger Notice* (May 11, 2003) (online at www.workforcesecurity.doleta.gov/unemploy/teuc/teuc69.html).

⁴ Public Law 108-26.

by more than 400,000,⁵ and the number of long-term unemployed workers has increased by 46%.⁶ While the unemployment rate remained at 5.6% in February 2004, the economy created only 21,000 new jobs and the private sector actually lost jobs.⁷

Despite the lack of significant improvement in the employment situation, Congress allowed the TEUC program to expire. Republican leaders have opposed an extension of the program, and the Bush Administration has not pushed for an extension.⁸

House Democrats on February 4, 2003, were able to obtain a vote on the House floor that authorized funding an unemployment benefits extension through the Community Development Block Grant program.⁹ However, analysts indicated that the vote was “largely symbolic” because in order to actually extend benefits, the Senate would have to approve the measure and funds would have to be appropriated for it.¹⁰ Moreover, House Majority Leader Tom DeLay has indicated that the amendment would be stripped from the legislation before final passage.¹¹ On March 11, 2004, Federal Reserve Chairman Alan Greenspan testified before a House committee that he believed Congress should consider another extension of benefits,¹² but still there has been no indication from Congressional leaders that they will call forward an extension bill.

⁵ There were 109,034,000 private sector jobs in March 2002 compared to 108,594,000 in February 2004. Bureau of Labor Statistics, *Employment and Unemployment Data* (2004).

⁶ There were 1.3 million long-term (more than 27 weeks) unemployed workers in March 2002 compared to 1.9 million in February 2004. *Id.*

⁷ The 21,000 new jobs created in February 2004 were all state and local government positions. *Id.*

⁸ *DeLay Says House Will Not Take up Unemployment Benefits*, Congress Daily (Dec. 8, 2003); *Snow Unsure of Benefit Extension*, Reuters (Dec. 5, 2003).

⁹ H.R. 3030, *To Amend the Community Service Block Grant Act to Provide for Quality Improvements*, Roll Call Vote No. 18 (Feb. 4, 2004). One hundred and eighty-seven Democrats voted for the amendment, with none voting against it. Thirty-nine Republicans voted for the amendment, with 179 voting against it.

¹⁰ *House Backs Extended Jobless Benefits*, Washington Post (Feb. 5, 2004).

¹¹ *House OK's Amendment to Extend Unemployment Benefits*, Congress Daily (Feb. 5, 2003).

¹² Testimony of Federal Reserve Chairman Alan Greenspan, House Committee on Education and the Workforce, *Hearing on "The Changing Nature of the Economy: The Critical Roles of Education and Innovation in Creating Jobs & Opportunity in a Knowledge Economy"* (Mar. 11, 2004).

A continued failure by Congress to pass legislation to help unemployed Americans would terminate the benefits of millions of Americans. In January 2004, approximately 350,000 workers lost benefits.¹³ And by July 1, 2004, almost two million additional workers will lose benefits if Congress does not extend the TEUC program.¹⁴

OBJECTIVE AND METHODOLOGY

Rep. Ed Pastor represents Arizona's 4th Congressional District, which is in the Phoenix-Mesa metro area. Rep. Pastor requested this analysis in order to estimate the impact of the termination of federal unemployment benefits in the region. The analysis is based upon state and metropolitan area data on the number of unemployed workers and statewide estimates of the number of unemployed workers who will lose benefits.

FINDINGS

Unemployment in the Phoenix-Mesa Metro Area

Data from the Bureau of Labor Statistics indicates that there are 121,800 unemployed workers in Arizona. Of these 121,800 unemployed workers, 73,300 are in the Phoenix-Mesa metro area.¹⁵ The statewide unemployment rate is 4.6%, and the unemployment rate in the Phoenix-Mesa metro area is 4.1%.¹⁶

Statewide, there are 37,402 individuals currently receiving unemployment insurance benefits in Arizona.¹⁷ This analysis estimates that 22,500 of these unemployed workers are in the Phoenix-Mesa metro area.¹⁸ The average unemployment insurance benefit in Arizona is \$174 per week.¹⁹

¹³ Center on Budget and Policy Priorities, *760,000 Jobless Denied Aid — And Counting* (Feb. 25, 2004).

¹⁴ Center on Budget and Policy Priorities, *Unmet Need Hits Record Level for the Unemployed* (Feb. 2, 2004).

¹⁵ Bureau of Labor Statistics, *Civilian Labor Force and Unemployment by State and Metro Area* (Jan. 2004) (online at <http://www.bls.gov/news.release/metro.t01.htm>).

¹⁶ *Id.*

¹⁷ Department of Labor, *Unemployment Insurance Weekly Claims Report* (Jan. 24, 2004) (online at <http://www.ows.doleta.gov/unemploy/page8/2003/122703.html>).

¹⁸ Bureau of Labor Statistics data indicates that 60% of all unemployed workers in the state are in the Phoenix-Mesa metro area. This analysis estimates that 60% of the individuals

The Impact of the Expiration of Unemployment Insurance Benefits in the Phoenix-Mesa Metro Area

The date on which unemployed workers lose their unemployment benefits depends on how long the workers have been out of work.

In January 2004, a record number of workers in the United States exhausted their unemployment benefits. Department of Labor data compiled by the Center on Budget and Policy Priorities shows that 3,830 workers in Arizona lost unemployment insurance in January.²⁰ An estimated 2,300 of these workers are in the Phoenix-Mesa metro area.²¹

If an extension of the unemployment insurance program is not revived, analysts have estimated that an average of 890 Arizona workers will lose unemployment benefits each week in the first six months of 2004. In total, between January 1 and June 31, 2004, an estimated 23,159 workers in the state will lose unemployment benefits.²² An estimated 13,900 of these workers are in the Phoenix-Mesa metro area.²³

Lost Economic Stimulus in the Phoenix-Mesa Metro Area from the Failure to Extend Unemployment Benefits

Because extended unemployment benefits are paid to workers who are in immediate need, these benefits are spent rapidly and provide a significant economic stimulus for communities. A February 2003 analysis estimated that

in the state receiving unemployment insurance benefits are also in the Phoenix-Mesa metro area.

¹⁹ Department of Labor, *Summary Data for State Programs, by State, Report Period between 11/1/03 and 11/30/03* (Dec. 2003) (online at <http://www.ows.doleta.gov/unemploy/txtdocs/sumnov03.html>).

²⁰ Center on Budget and Policy Priorities, *supra* note 13.

²¹ This analysis estimates that 60% of all individuals losing unemployment insurance benefits are in the Phoenix-Mesa metro area. *See* note 18.

²² Center on Budget and Policy Priorities, *supra* note 14.

²³ This analysis estimates that 60% of all individuals losing unemployment insurance benefits are in the Phoenix-Mesa metro area. *See* note 18.

THOUSANDS OF JOBLESS WORKERS IN THE PHOENIX-MESA METRO AREA WILL SOON LOSE UNEMPLOYMENT BENEFITS

every dollar paid in extended unemployment benefits boosts economic output by \$1.73.²⁴

If Congress extends the TEUC program to provide unemployment benefits for 13 additional weeks, workers in Arizona will receive up to \$52 million in unemployment benefits between January 1, 2004, and June 31, 2004. This would result in a stimulus to the statewide economy of up to \$90 million.²⁵ In the Phoenix-Mesa metro area, workers would receive up to approximately \$31 million in unemployment benefits between January 1 and June 31, 2004.²⁶ This would result in a stimulus to the local economy of up to \$54 million.

²⁴ Economy.com, *Fiscal Stimulus*, Regional Economic Review, 14 (Feb. 2003). These funds are spent rapidly and cycle throughout the economy, causing a ripple effect that increases dollar-for-dollar GDP growth by more than the original expenditure.

²⁵ This estimate assumes that each of the 23,159 workers receives the average statewide benefit (\$174) for 13 weeks.

²⁶ This estimate assumes that each unemployed worker in the area receives the average statewide benefit for 13 weeks.